RECORD
AND
BRIEFS

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

SAS INSTITUTE INC.,

Petitioner,

v.

JOSEPH MATAL, Interim Director, U.S. Patent and Trademark Office, and COMPLEMENTSOFT, LLC,

Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF FOR PETITIONER

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QUESTION PRESENTED

Does 35 U.S.C. § 318(a), which provides that the Patent Trial and Appeal Board in an inter partes review "shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner," require that Board to issue a final written decision as to every claim challenged by the petitioner, or does it allow that Board to issue a final written decision with respect to the patentability of only some of the patent claims challenged by the petitioner, as the Federal Circuit held?

PARTIES TO THE PROCEEDING AND RULE 29.6 STATEMENT

Petitioner, who was Appellant below, is SAS Institute Inc. Petitioner has no parent company, and no publicly traded corporation owns 10% or more of any of its stock.

Respondents are ComplementSoft, LLC, Appellee and Cross-Appellant below, and Joseph Matal, Interim Director of the U.S. Patent and Trademark Office, who has now replaced former Director Lee, who was an Intervenor below.

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OPINIONS BELOW

The Patent Trial and Appeal Board's Decision to Institute *Inter Partes* Review (Pet. App. 103a-28a), and that Board's Final Written Decision (Pet. App. 41a-86a) and its Decision denying SAS's Request for Rehearing (Pet. App. 129a-34a) are all unreported. The Federal Circuit's opinion (Pet. App. 1a-40a) is reported at 825 F.3d 1341 (Fed. Cir. 2016). Its precedential order denying rehearing en banc (Pet. App.87a-102a) is reported at 842 F.3d 1223 (Fed. Cir. 2016).

JURISDICTION

The Federal Circuit denied rehearing en banc on November 7, 2016. This Court granted SAS's petition for certiorari on May 22, 2017. This Court has jurisdiction under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Each of the statutory provisions at issue was enacted by the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011), and is now codified in Title 35 of the United States Code. The text of each relevant provision is set forth in the Appendix to the Petition (Pet. App. 135a-48a).

STATEMENT

1. "The Leahy-Smith America Invents Act, 35 U.S.C. § 100 *et seq.*, creates a process called 'inter partes review.' That review process allows a third party to ask the U.S. Patent and Trademark Office to reexamine the claims in an already-issued patent and to cancel any claim that the agency finds to be unpatentable in light of prior art." *Cuozzo Speed*

Techs., LLC v. Lee, 136 S. Ct. 2131, 2136 (2016). "The Act converts inter partes reexamination from an examinational to an adjudicative proceeding, and renames the proceeding 'inter partes review.'" H.R. Rep. No. 112-98, at 46-47 (2011), *reprinted in* 2011 U.S.C.C.A.N. 67, 77 (H.R. Rep.); *Cuozzo*, 136 S. Ct. at 2137.

An important congressional objective of the Act was to ensure that the Board issue a complete final decision on all challenged claims, so that "a final decision in a post-grant review process will prevent the petitioner, a real party in interest, or its privy from challenging any patent claim on a ground that was raised in the post-grant review process." H.R. Rep. at 48, 2011 U.S.C.C.A.N. at 78. The detailed provisions of the Act bear this out.

Section 311—Filing and Scope of Inter Partes Review. A petitioner begins the inter partes review process by filing "a petition to institute an inter partes review of the patent," 35 U.S.C. § 311(a), which "may request to cancel as unpatentable 1 or more claims of a patent" under 35 U.S.C. § 102 or § 103, and then "only on the basis of prior art consisting of patents or printed publications." 35 U.S.C. § 311(b).

Section 312—Requirements of Petitions. Among other things, the petition filed under § 311 must "identif[y], in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim." *Id.* § 312(a)(3).

Section 313—Patent Owner's Preliminary Response. The owner of the challenged patent may file a "preliminary response" to the petition, setting forth "reasons why no inter partes review should be instituted." *Id.* § 313.

Section 314—Institution and Notice of Inter Partes Review. Section 314(a) sets forth the "threshold" for the Director's discretionary determination whether to institute inter partes review: "The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." *Id.* § 314(a). If the Director determines to institute inter partes review, "[t]he Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a), and shall make such notice available to the public as soon as is practicable." *Id.* § 314(c).

Other than notice of the fact of the institution, the statute imposes only one requirement as to the content of that notice: "Such notice shall include the date on which the review shall commence." *Id.* Nowhere in § 314 (or anywhere else in the AIA) is there a requirement that the Director's institution determination be reasoned—the statute calls this a "determination," not a "decision"—and, indeed, the absence of such a requirement is consistent with the Act's command that judicial review of an institution determination is generally unavailable: "The

determination by the Director whether to institute an inter partes review under this section shall be final and unappealable." *Id.* § 314(d); *Cuozzo*, 136 S. Ct. at 2140-42; *id.* at 2150-53 (Alito, J., concurring in part and dissenting in part).

Section 315—Estoppel, Bar, and Stays. Section 315, entitled "Relation to other proceedings and actions," sets forth certain consequences that other actions have on inter partes reviews, and vice versa.

If a petitioner has previously filed "a civil action challenging the validity of a claim of the patent," then inter partes review is barred. 35 U.S.C. § 315(a)(1). If a petitioner files such a civil action *on or after* the date the petitioner files a petition for inter partes review, then the civil action is automatically stayed, until the patent owner moves to lift the stay, or files a civil action or counterclaim alleging infringement of the patent, or moves the court to dismiss the action. *Id.* § 315(a)(2).

Similarly, inter partes review may not be instituted if the petitioner files the petition more than one year after service of a complaint alleging infringement of the patent. *Id.* § 315(b).

Estoppel, which is provided for in 35 U.S.C. § 315(e), is one of the most critical consequences of inter partes review. Section 315(e)(1) prevents a petitioner from burdening a patent owner with serial invalidity challenges: Once "a final written decision under section 318(a)" has been reached, neither a petitioner, nor the petitioner's privy or real party in interest, may "request or maintain a proceeding before the [Patent] Office with respect to that claim on any ground that the petitioner raised or

reasonably could have raised during that inter partes review."

A similar rule estops petitioners from mounting invalidity challenges in later proceedings before district courts or the U.S. International Trade Commission: If an inter partes review "results in a final written decision under section 318(a)," neither the petitioner nor the petitioner's privy or real party in interest may assert . . . that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review." 35 U.S.C. § 315(e)(2).

Section 316—Conduct of Inter Partes Review, Regulations, and Amendment. Section 316 empowers the Director of the Patent Office to prescribe regulations, and requires the Director to promulgate regulations governing certain specified aspects of inter partes review. Among the regulations that the Director must prescribe are those "setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a)" (35 U.S.C. § 316(a)(2)), "establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title" (*id.* § 316(a)(4)), and "requiring that the final determination in an inter partes review be issued not later than 1 year after the date" of institution, "except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months . . . ." *Id.* § 316(a)(11).

In promulgating these regulations, the Director "shall consider the effect of any such regulation on the economy, the integrity of the patent system, the

efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter. *Id.* § 316(b).

Section 316 also assigns to the Patent Trial and Appeal Board the duty to conduct "each inter partes review instituted under this chapter." 35 U.S.C. § 316(c).

Finally, § 316(d) allows a patent owner to file one motion to amend the patent during an inter partes review, in which the patent owner may propose to cancel a challenged claim or propose "a reasonable number of substitute claims." However, such an amendment "may not enlarge the scope of the claims under the patent or introduce new matter." 35 U.S.C. § 316(d)(1), (3).

Section 317—Settlement. Section 317 provides that an inter partes review that has not yet reached a final decision "shall be terminated with respect to any petitioner" if the petitioner and patent owner jointly request. However, if all petitioners have settled out of an inter partes review, the Patent Office retains the discretion to "terminate the review or proceed to a final written decision under section 318(a)." 35 U.S.C. § 317(a).

Section 318—Final Written Decision. Section 318, entitled "Decision of the Board," contains the provision most central to this case. Section 318(a) sets forth the requirements of a "final written decision": "If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim

challenged by the petitioner and any new claim added under section 316(d)."

Additionally, § 318(b) requires the Board to "issue and publish a certificate (i) "canceling any claim of the patent determined to be unpatentable," (ii) "confirming any claim of the patent finally determined to be patentable," and (iii) "incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable." And § 318(c) provides that "[a]ny proposed amended or new claim determined to be patentable" shall have the same effect as a reissued claim under 35 U.S.C. § 252, *i.e.*, persons who made, purchased, used, or imported the invention, or made substantial preparations to do so, may receive intervening rights that protect them from an infringement claim. *See Marine Polymer Technologies, Inc. v. HemCon, Inc.*, 672 F. 3d 1350, 1361-62 (Fed. Cir. 2012) (en banc) (explaining doctrine of intervening rights).

Section 319—Appeal. "A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision" to the Court of Appeals for the Federal Circuit, pursuant to 35 U.S.C. §§ 141-144. 35 U.S.C. § 319.[1]

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[1] Section 6 of the America Invents Act also created parallel regimes for "Post-Grant Review" and review of "Covered Business Method Patents." Those statutory schemes contain the identical operative language as Sections 314(a) and 318(a) of Title 35. *See* 35 U.S.C. §§ 324(a) (entitled "THRESHOLD" for "Institution of post-grant review") & 328(a) (entitled "FINAL WRITTEN DECISION"); AIA, 125 Stat. 284, 329 § 18(a)(1) (providing that post-grant review for covered business method patents "shall be regarded as, and shall employ the standards

2. On September 14, 2012, ComplementSoft sued SAS for patent infringement in the Northern District of Illinois. *See* Complaint, *ComplementSoft, LLC v. SAS Institute Inc.*, No. 1:12-cv-07372 (N.D. Ill. Sept. 14, 2012) (Dkt. 1). ComplementSoft's complaint alleged that SAS had infringed "one or more claims of the '936 Patent [ComplementSoft's U.S. Patent No. 7,110,936], including but not limited to at least claims 1, 2, 3, 4, 8 and 10." *Id.* at ¶¶ 14-16; Pet. App. 42a, 104a. The '936 Patent contains 16 claims, numbered 1 through 16. J.A. 132-33.

On March 29, 2013, within the one-year window set forth in 35 U.S.C. § 315(b), SAS petitioned for inter partes review of the '936 Patent, challenging the patentability of all 16 of the patent's claims, either as anticipated (35 U.S.C. § 102), or obvious (*id.* § 103) in view of prior art. Pet. App. 104a-05a. On August 12, 2013, the Patent Trial and Appeal Board, acting as the Director's delegate for making institution determinations pursuant to 37 C.F.R. § 42.4(a), and believing that it had the authority to institute inter partes review as to fewer than all 16 of the claims challenged in SAS's petition, *see* 37 C.F.R. § 42.108(a), instituted inter partes review only as to claims 1 and 3-10. Pet. App. 106a, 127a.

After receiving evidence and argument, the Patent Trial and Appeal Board on August 6, 2014 issued its "final written decision" under 35 U.S.C. § 318(a). Pet. App. 41a. Despite the statutory mandate that the

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(continued...)

and procedures of, a post-grant review under chapter 32 of title 35, United States Code . . .").

Board "shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner," the Board's final written decision addressed only claims 1 and 3-10, and not claims 2 and 11-16 of the '936 Patent. Pet. App. 84a. The Board largely ruled consistently with the reasoning of its August 2013 institution decision, although it reversed course as to claim 4 of the '936 Patent, adopting a new construction of that claim never before raised by the parties or suggested by the Board. Pet. App. 70a.

SAS requested rehearing before the Board, challenging the substance of its patentability ruling with respect to claim 4 of the '936 Patent, and its procedural failure under § 318(a) to "issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner." The Board denied rehearing on November 10, 2014. Pet. App. 129a.

3. SAS and ComplementSoft each timely appealed to the Court of Appeals for the Federal Circuit.

a. SAS again challenged the Board's determination of patentability with respect to claim 4 as well as the Board's refusal to issue a final written decision with respect to the patentability of all 16 patent claims it had challenged. Pet. App. 2a. ComplementSoft appealed the determination of unpatentability with respect to claims 1, 3, and 5-10 of the '936 Patent. Pet. App. 7a. The Director of the Patent and Trademark Office intervened to defend the Board's decision to issue a final decision as to

only some of the claims challenged by SAS. *See* Pet. App. 1a.

b. After briefing had been completed in this case, but before oral argument, the Federal Circuit, on February 10, 2016, issued a 2-1 panel decision in *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309 (Fed. Cir. 2016). In *Synopsys*, the divided panel held that the text of § 318(a)—requiring a final written decision with respect to "any patent claim challenged by the petitioner"—was materially different from the language of § 314(a), which allows institution of an inter partes review where there is a reasonable likelihood that the petitioner would prevail with respect to "at least 1 of the *claims challenged in the petition*." *Id.* at 1315. Accordingly, the panel majority concluded, "the claims that the Board must address in the final decision are different than the claims raised in the petition." *Id.* The *Synopsys* majority added that, "[a]lthough we find that the language is clear, if there were any doubt," the Board was authorized to adopt this partial-final-written-decision regime under its rulemaking authority, *id.* at 1316; *see* 35 U.S.C. § 316(a)(2); *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984).

c. Judge Newman filed a lengthy dissent in *Synopsys*, setting forth several "principal concerns" with the majority's approach, most of which were caused by the erroneous construction of § 318(a):

- By giving the Patent Trial and Appeal Board the authority to "'pick and choose' which of the challenged patent claims and issues it will decide in these new proceedings" under

the AIA, the majority approved leaving some challenged claims unadjudicated; Judge Newman pointed out that this "absence of finality negates the AIA's purpose of providing an alternative and efficient forum for resolving patent validity issues." 814 F.3d at 1325.

- Judge Newman also pointed out that because decisions whether to institute inter partes review are not appealable, *see* 35 U.S.C. § 314(d), the majority's ruling improperly immunizes, from appellate review, patentability rulings made on a preliminary basis at the pre-institution stage of an inter partes proceeding. 814 F.3d at 1325-26.
- Judge Newman further emphasized that the majority ruling had—contrary to the statutory text—turned the institution phase of the inter partes process into "a short-cut to final judgment." *Id.* at 1326.

Synopsys did not seek rehearing *en banc* from the Federal Circuit, nor did it seek certiorari from this Court.

d. On June 10, 2016, the panel in this case issued its decision, affirming the Board's decision except with respect to claim 4 of the '936 Patent, as to which the panel vacated the Board's determination. Pet. App. 1a.

With regard to the question of whether the "final written decision" had to address the patentability of all 16 claims challenged by SAS under § 318(a), the panel divided 2-1. The panel majority viewed SAS's

argument that the Board must address all claims from the IPR petition in the final written decision [as] foreclosed by *Synopsys*." Pet. App. 22a.

Judge Newman again dissented. Pet. App. 23a. Reiterating many of the objections first outlined in her *Synopsys* dissent, Judge Newman summarized her objections to the majority's ruling:

> . . . . The PTO's position that it need not review some of the claims challenged in a petition for review via a post-grant proceeding is inconsistent with the Act. The PTO is authorized to refuse to institute review entirely—but a partial review cannot be inferred from the statute or accommodated to its purpose.
>
> The statutory provisions and the legislative purpose of substituting an agency tribunal for district court proceedings on aspects of patent validity are defeated by the PTO's position that it can leave some challenged claims untouched. The America Invents Act presents a new system of reviewing issued patents, providing for stays of district court proceedings, and estoppels in all tribunals, based on the PTO decision. Final determination of the validity of a challenged patent is not achieved when the PTO selects, at its sole and unreviewable choice, which claims it will review and which it will not touch.

Pet. App. 25a.

Judge Newman additionally noted that the statutory structure for inter partes review was carefully crafted by Congress, and its provisions are "designed to act in harmony, like a well-oiled engine." *Id.* at 26a. However, she added, "[i]ncorrect

implementation by the agency distorts the framework, providing the now-observed result of protracted litigation grinding against administrative obstinacy. The victim is the Nation's innovation economy." *Id.*

4. SAS petitioned for rehearing *en banc* on the issue of whether the Board was obligated to issue a final written decision on all 16 of the challenged claims. On November 7, 2016, over Judge Newman's dissent, the Federal Circuit denied SAS's petition. Pet. App. 87a-88a. Her dissent from the denial of *en banc* rehearing addressed, *seriatim*, each of the relevant sections of the Smith-Leahy America Invents Act relevant to inter partes procedures (35 U.S.C. §§ 311-316 & 318), demonstrating that the statute's individual sections, as well as the statute as a whole, anticipated that final written decisions in inter partes review proceedings must reach all of the claims challenged by petitioners, not merely a subset thereof, else the statutory regime enacted by Congress would not work as intended. Pet. App. 93a-102a. Instead, the partial-institution, partial-decision regime adopted by the Patent Trial and Appeal Board, and now endorsed by two divided Federal Circuit panels, "leaves the unselected claims dangling, lacking both finality and estoppel, preventing the expediency and economy and efficiency that motivated the America Invents Act." Pet. App. 92a.

5. On May 22, 2017, this Court granted SAS's petition for certiorari. J.A. 79.

SUMMARY OF ARGUMENT

"If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with

respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d)." This is the entirety of 35 U.S.C. § 318(a), and it means what it says: The Board must decide the patentability of all of the claims challenged by the petitioner. In this case, SAS—the petitioner—challenged claims 1-16 of the ComplementSoft patent, but the Board only issued a final written decision on nine of those claims (claims 1 and 3-10). Because the Board was obligated, by a plainly worded statutory mandate, to decide all 16 of those challenged patent claims, the Federal Circuit's contrary decision should not be allowed to stand.

The Federal Circuit never analyzed the plain language of § 318(a)'s mandate. Instead, it looked to another section of the Act—§ 314(a), which sets forth the "threshold" for the Director's discretionary decision whether or not to institute inter partes review—and concluded that the reference there to "the claims challenged in the petition," when compared to § 318(a)'s reference to "any patent claim challenged by the petitioner," yielded the conclusion that "the text makes clear that the claims that the Board must address in the final decision are different than the claims raised in the petition." There is, however, no statutory indication that the Board has the discretion to address *fewer* claims than those challenged by the petitioner.

In particular, the Federal Circuit never analyzed the language of § 318(a), which is mandatory ("shall"), complete ("any claim challenged"), and strictly additive ("and any new claim added under section 316(d)"). The combination of the "shall" mandate with the broad and inclusive "any claim" language compels

the conclusion that the final written decision must reach all of the claims challenged by the petitioner; the Patent Office cannot reduce Congress's mandate by administrative fiat. *United States v. Rosenwasser*, 323 U.S. 360, 362-63 (1945), held that it was "unmistakable," and there was "no doubt," that the Fair Labor Standards Act's mandate that employers "shall" pay "any employee" a minimum wage did not leave any room for exceptions. The combination of "shall" and "any" here should have led the Federal Circuit to the same conclusion. The fact that § 318(a) defines the "any patent claim challenged" with respect to "the petitioner" rather than "the petition" does not narrow the required scope of the final written decision; a petitioner's only vehicle for challenging a claim is its petition, so the Board's duty under § 318(a) must be at least coextensive with the petitioner's selection of challenged claims, and must further reach "any new claim added" by amendment. There is absolutely no textual basis to conclude that the scope of a final written decision can be narrower than all of the claims challenged by the petitioner.

The Board's and the Federal Circuit's erroneous interpretation of § 318(a)'s mandate destroys the carefully crafted provisions of the America Invents Act. That Act was intended to be an efficient substitute for district-court invalidity litigation; under the Board's piecemeal adjudication scheme, blessed by the Federal Circuit, litigants now must confront prior-art-based anticipation (35 U.S.C. § 102) and obviousness (*id.* § 103) challenges in two tribunals, not just one. The better practice—and the one envisioned by Congress—was a single set of challenges before the Board, fully adjudicated,

completely appealable to the Federal Circuit, and estopping on later district-court litigation. The statute that Congress wrote was better policy and better practice than the one that the agency and the Federal Circuit re-wrote.

Nor can *Chevron* deference save the Patent Office's rejiggering of the statute's system of inter partes review. *Chevron* has rightly come under fire from courts and commentators as allowing the executive branch to creep too far under the legislative tent. This case is a compelling example of that executive-branch overreach. And, while there is much to be said for replacing or supplementing *Chevron* with the "impressive body of law sanctioning free substitution of judicial for administrative judgment when the question involves the meaning of a statutory term," *Pittston Stevedoring Corp. v. Dellaventura*, 544 F.2d 35, 49 (2d Cir. 1976) (Friendly, J.), *aff'd*, 432 U.S. 249 (1977), this case can be resolved by simply applying *Chevron* according to its terms: Under *Chevron* step one, the statute is clear in compelling the Board to issue a final and appealable written decision as to all challenged claims; moreover, the statute is completely bereft of any indication that Congress delegated to the agency the power to narrow its broad § 318(a) mandate. And, even if the inquiry proceeded to *Chevron* step two, "the agency's answer"—deciding the patentability of only some of the challenged patent claims—is not "based on a permissible construction of the statute." Rather, the Patent Office's approach would rewrite the fundamentals of the America Invents Act, which was designed to create an effective, efficient, and fair system for determining patentability.

ARGUMENT

I. THE FEDERAL CIRCUIT'S DECISION IS CONTRARY TO SECTION 318(a), AND TO THE AMERICA INVENTS ACT AND ITS PURPOSES

Section 318(a) is written in the plainest of English. It provides, as relevant here: "If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner . . . ." In this case, the conditions of § 318(a) were met—"an inter partes review [was] instituted and not dismissed"—and so the Board was obligated to "issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner." Here, the petitioner (SAS) challenged all 16 claims of the ComplementSoft patent, but obtained a final written decision as to only nine of those 16 claims.

The Federal Circuit's contrary reading of the statute not only violates the canons of statutory construction; it also guts the America Invents Act of its intended effect—it "negates the AIA's purpose of providing an alternative and efficient forum for resolving patent validity issues," *Synopsys*, 814 F.3d at 1325 (Newman, J., dissenting), and throws a wrench into the works of a carefully crafted statutory regime. The Federal Circuit's judgment should be reversed, so that inter partes review under the America Invents Act is restored to its proper, intended scope.

A. Section 318(a) Requires "A Final Written Decision With Respect To The Patentability Of Any Patent Claim Challenged By The Petitioner"

Under the statute, "the patentability of any patent claim challenged by the petitioner" must be addressed in the Board's final written decision. 35 U.S.C. § 318(a). Here, the petitioner, SAS, challenged the patentability of claims 1-16 of the ComplementSoft patent. Pet. App. 42a. Under the plain language of § 318(a), the Board's final written decision should have addressed the patentability of all 16 of those claims, and the Federal Circuit should have remanded the case to the Board for decisions on the seven claims it did not address.

B. The Federal Circuit's Interpretation Of Section 318(a) Violates The Section's Plain Language By Allowing Final Written Decisions On Less Than "Any Patent Claim Challenged By The Petitioner"

The Federal Circuit ruled otherwise. Relying on its decision in *Synopsys*, 814 F.3d at 1316-17, the Court of Appeals concluded that "the differing language [in the institution-decision subsection, 35 U.S.C. § 314(a)] implies a distinction between the two subsections such that § 318(a) does not foreclose the claim-by-claim approach the Board adopted there and in this case." Pet. App. 21a.

The Federal Circuit's claimed distinction between § 314(a) and § 318(a) is not borne out by the statutory language. Section 314, entitled "Institution of inter partes review," provides—in the negative—

that the Director of the Patent Office "may not authorize an inter partes review to be instituted unless the Director determines that [the information contained in the parties' institution-related filings] shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." That statutory subsection—entitled "THRESHOLD"—sets forth the threshold standard for instituting an inter partes review, which is that the preliminary filings must demonstrate a reasonable likelihood of success on at least one of the "claims challenged in the petition." Section 314(a) does not, however, explicitly authorize the Director to "institut[e]" "an inter partes review" that is limited to fewer patent claims than are challenged in the petition, nor does it say that such a partial institution transforms the un-instituted patent claims into claims that are no longer "challenged by the petitioner," in the words of § 318(a).

The Federal Circuit in *Synopsys*, however, believed that there was a meaningful distinction between § 314(a)'s reference to "claims challenged in the petition" and § 318(a)'s requirement of a final written decision as to any "claim challenged by the petitioner." 814 F.3d at 1315 (citing *Bailey v. United States*, 516 U.S. 137, 146 (1995)). Pursuant to the Federal Circuit's distinction, "the claims challenged in the petition" and "any claim challenged by the petitioner" carry two entirely different meanings—the former referring to the claims challenged in the initial filing, and the latter to the claims that the Board, in its unreviewable discretion, allows the petitioner to continue to litigate post-institution.

That distinction is an untenable one as a matter of statutory language. For one, the provision governing institution, § 314(a), does not suggest that the Director is allowed to institute inter partes reviews on only some claims; rather, the Director "may not authorize an inter partes review to be instituted unless the Director determines that the" pre-institution filings show "a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." Indeed, all of the relevant AIA provisions—§§ 312(a)(3), 314(a), 315(e), 316(a), and 318(a)—assume that inter partes review will proceed, and take the place of litigation, on all claims challenged by a petitioner in a petition; none suggests that inter partes review will proceed on only a subset of the challenged claims.

For another, the facts of this case illustrate why the partial-institution, partial-decision practice is contrary to the statute. Here, SAS filed a petition challenging all 16 claims of the ComplementSoft patent. Section 318(a) thus commanded the Board that it "*shall* issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner." "Shall," of course, is "the language of command." *Escoe v. Zerbst*, 295 U.S. 490, 493 (1935); *see also, e.g.*, *Kingdomware Techs., Inc. v. United States*, 136 S. Ct. 1969, 1977 (2016) (the term "shall" "normally creates an obligation impervious to judicial discretion").

"Shall" means that the Board *must* do something. What must it do? Again, the plain language of the statute answers that question. The Board "shall issue a final decision," and that final decision must be "with respect to *any* patent claim challenged by

the petitioner." That broad command reaches all 16 of the claims in the ComplementSoft patent, given the linguistically unlimited scope of § 318(a)'s "*any* patent claim challenged by the petitioner."

"Read naturally, the word 'any' has an expansive meaning." *United States v. Gonzales*, 520 U.S. 1, 5 (1997) (holding that "any other term of imprisonment" as used in 18 U.S.C. § 924(c)(1) means "all 'term[s] of imprisonment,' including those imposed by state courts"). *See also, e.g.*, *United States v. Alvarez-Sanchez*, 511 U.S. 350, 358 (1994) ("any law enforcement officer" includes "federal, state, or local" officers); *Collector v. Hubbard*, 79 U.S. (12 Wall.) 1, 15 (1871) (it is "quite clear" that "no suit shall be maintained *in any court*" was statutory language that "includes the State courts as well as the Federal courts"). Thus, where Congress does not "add language limiting the breadth of that word," "any" means "all." *Gonzales*, 520 U.S. at 5. As used in § 318(a), then, the "shall issue a final decision with respect to" mandate, when combined with the phrase "any patent claim challenged by the petitioner" means that the final decision must reach "all" of the claims—every claim—challenged by the petitioner.

The addition of the mandatory "shall" to the expansive "any" compels this construction. This Court's decision in *Rosenwasser*, 323 U.S. 360, confirms that. *Rosenwasser* held that a statute providing that an employer "shall" pay a minimum wage to "any individual employed by an employer"—specifically, the Fair Labor Standards Act of 1938. 52 Stat. 1060—did not allow the employer to pay only some of his employees the statutory minimum wage. Section § 6(a) of that Act required that "[e]very

employer shall pay to each of his employees who is engaged in commerce or in the production of goods for commerce" a specified minimum wage. 52 Stat. at 1062, § 6(a) (1938). That same Act defined "[e]mployee" as "any individual employed by an employer." *Id.* at 1060, § 3(e). Rosenwasser had convinced the District Court for the Southern District of California that his piece workers were not covered by the minimum-wage provision of the FLSA, but this Court reversed, holding that "[t]he plain words of the statute" gave an "unmistakable answer to the problem":

> The use of the words 'each' and 'any' to modify 'employee,' which in turn is defined to include 'any' employed individual, leaves no doubt as to the Congressional intention to include all employees within the scope of the Act unless specifically excluded. And 'each' and 'any' employee obviously and necessarily includes one compensated by a unit of time, by the piece or by any other measurement.

323 U.S. at 362-63. "A broader or more comprehensive coverage of employees within the stated categories would be difficult to frame." *Id.* at 362.

Rosenwasser was therefore not permitted to pay *only some* of his employees the minimum wage; so, too, the Board here was not permitted to issue a final decision on *only some* of the claims challenged by the petitioner, SAS. "[T]he . . . Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner" means

that every claim challenged by the petitioner gets adjudicated. No exceptions.

Neither the Federal Circuit—not in *Synopsys*, and not in this case—nor the Director's brief in opposition, takes issue with this meaning of § 318(a), nor do they deny that this is the natural consequence of the statute's use of "shall" and "any." Instead, both have justified the Board's partial-decision practice by reference to the meaning of "claim[s] challenged by the petitioner." According to the Court of Appeals and the Director, this term takes on a different meaning from the virtually identical terms as used in §§ 312(a)(3), 314(a) and 318(a). *Synopsys*, 814 F.3d at 1315; Pet. App. 21a; BIO 15 (arguing that "the scope of the Board's required written decision is bounded by the scope of review that the PTO has elected to institute").

Such fine parsing of statutory language is untenable. The most glaring problem with this argument is that the "scope" of inter partes review, and the "scope" of the final written decision, is already defined by the statute. Section 311(b) explicitly defines the "SCOPE" of inter partes review by reference to the claims that the "petitioner . . . may request to cancel as unpatentable." And the wording of the Act's several other relevant provisions likewise confirms that the scope of the Board's required written decision is bounded not by Patent Office fiat, but by Congressional command. Section 312(a)(3) requires a petition—which is, of course, filed by a "petitioner" and only a "petitioner"—to "identif[y] in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that

supports the grounds for the challenge to each claim." Section 314(a) then empowers the Director to institute inter partes review only if "there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." And § 318(a) then requires the Board to "issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added" by amendment under § 316(d).

These verbal constructs—"each claim challenged," "the challenge to each claim," "the claims challenged in the petition," and "any patent claim challenged by the petitioner"—plainly refer to the same thing: the patent claims that are challenged in the petition, by the petitioner. This is just as it is in ordinary civil litigation—the plaintiff is "the master of the complaint," *see Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 831 (2002), and, even where a plaintiff's claims for relief are dismissed at the outset of litigation (*e.g.*, under FED. R. CIV. P. 12(b)), those dismissals merge into the final judgment and can be appealed. *See, e.g., Cohen v. Beneficial Indus. Loan Corp.*, 337 U.S. 541, 546 (1949) ("fully consummated decisions" that are interlocutory "are but steps toward the final judgment in which they will merge"). There is no good reason to conclude that inter partes review was meant to follow a different path.

The fact that these parallel provisions appear in the same Act lends even greater weight to the conclusion that they should be interpreted identically in each section: An Act of Congress "should not be read as a series of unrelated and isolated provisions,"

which in turn compels "the 'normal rule of statutory construction' that 'identical words used in different parts of the same act are intended to have the same meaning.'" *Gustafson v. Alloyd Co.*, 513 U.S. 561, 570 (1995) (quoting *Dep't of Revenue of Ore. v. ACF Indus., Inc.*, 510 U.S. 332, 342 (1994)).

By using "claims challenged in the petition" in § 314(a), but "claim[s] challenged by the petitioner" in § 318(a), Congress did not hide a secret clue in the statute that these provisions should (or should be allowed to) have a meaningfully different scope. If anything should be drawn from this slight difference in wording, it is that "the petitioner" is the one who, at all times, controls the scope of an inter partes review. After all, who "challenges claims in a petition"? Not the Director, and not the Board—the petitioner.

Here, claims 2 and 11-16 of the ComplementSoft patent were "challenged by the petitioner," SAS, in the only vehicle available for mounting such a challenge (the petition); SAS has never abandoned its challenges to those claims; yet SAS has never received a final written decision as to those claims as mandated by the statute. Instead, the Federal Circuit rewrote the straightforward language of § 318(a) to say that "the Board must issue a final written decision with respect to only those claims on which inter partes review has been instituted and which the Board has allowed the petitioner to pursue after the institution stage." Had Congress meant that, it could have said so. But it did not. There is no justification for the addition of such judicial embroidery upon the congressional language. *See, e.g., Bates v. United States*, 522 U.S. 23, 29 (1997)

("[W]e ordinarily resist reading words or elements into a statute that do not appear on its face.").

Likewise, the Federal Circuit's suggestion that the conditional phrase in § 318(a)—"if an inter partes review is instituted"—"strongly suggests that the 'challenged' claims referenced are the claims for which inter partes review was instituted, not every claim challenged in the petition," *Synopsys*, 814 F.3d at 1315, is at best a circular argument. Nothing in § 314(a), or, indeed, anywhere in the AIA, allows or anticipates a partial-institution practice, and so the Federal Circuit's logic assumes its conclusion that partial inter partes reviews, and partial decisions, are appropriate. The statute says otherwise.

Indeed, § 318(a)'s additional requirement that the final written decision address the patentability of "any new claim added," post-institution, "under section 316(d)," only confirms Congress's intent that the scope of the final written decision be as broad and inclusive as possible. It would be absurd to read "any claim challenged by the petitioner" and "any new claim added"—terms that appear, conjunctively, in the very same sentence—as allowing the Board the discretion to decide one challenged (or added) claim but not another. The context makes plain that "any," as used in § 318(a), means "all." After all, statutes "cannot be construed in a vacuum. It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme." *Roberts v. Sea-Land Services, Inc.*, 566 U.S. 93, 101 (2012).

Section 316(d) further underscores the point. Section 316(d)(1)(A) allows a patent owner in "an inter partes review instituted under this chapter," to "[c]ancel any challenged patent claim"—without any reference to whether the patent claim was challenged "in the petition" or "by the petitioner." This is the only indication in the entire chapter dealing with inter partes review that a claim might be challenged "in the petition" at the outset, but not challenged "by the petitioner" at the time of the final written decision. Obviously, a claim that is voluntarily cancelled post-institution ceases to exist, and a final written decision would not need to adjudicate such a nullity; accordingly, § 318(a)'s reference to "any patent claim challenged by the petitioner" makes sense as referring to all of the claims challenged in the petition under § 314(a), less any claim that has been cancelled by the patent owner, post-petition, under § 316(d)(1)(A). Beyond that single possibility, § 318(a) is strictly additive—the final written decision must adjudicate *all* of the claims "challenged by the petitioner *and* any new claim added under section 316(d)." (Emphasis added.)

This expression of an additive requirement to the mandatory final written decision in § 318(a), and the wholesale absence of any statutory language even plausibly suggesting that the scope of the final decision can be *narrower* than the scope of the petition—other than in the case of a voluntarily cancelled claim under § 316(d)(1)(A)—is a further reason to read the statute just as it was written.

C. The Federal Circuit's Interpretation Also Runs Afoul Of The Act's Overall Language, Structure, And Manifest Purpose

Judge Newman's trio of dissenting opinions—in *Synopsys*, in the panel decision in this case, and from the denial of rehearing en banc in this case—sets forth, in detail, why the panel's interpretation of § 318(a) will do harm to the efficient operation of the post-patent-issuance challenge regime that was established by the America Invents Act.

First, as discussed at pp. 17-27 above, the language of the Act as a whole demonstrates that Congress designed a regime of post-patenting review that, if inter partes review is initiated, would finally resolve challenges to all claims that the petitioner has challenged.

Second, the Board's partial-decision process eliminates one of the core purposes of the act—the ability to have patentability determinations as to a particular patent adjudicated efficiently in a single proceeding, either before the Board or in court. *Synopsys*, 814 F.3d at 1327-31 (Newman, J., dissenting); Pet. App. 30a-38a; Pet. App. 97a-100a; 35 U.S.C. § 315(e) (estoppel provision of America Invents Act). The current Interim Director of the Patent Office (the named respondent here) has referred to this as "the main argument for authorizing post-grant review"—to establish certainty with regard to patent validity, in an economical fashion, prior to expensive district-court litigation. Joe Matal, *A Guide to the Legislative*

History of the America Invents Act: Part II of II, 21 Fed. Cir. B.J. 539, 600 (2012).

By adopting the partial-decision regime, however, the Patent Office has made inter partes review much more inefficient, uneconomical, and uncertain than the process envisioned by Congress. This case is Exhibit A: The parties to this inter partes review have already invested almost a half-dozen years in litigating the validity of only some of the claims of the ComplementSoft patent: ComplementSoft's district-court patent-infringement complaint was filed in 2012; this inter partes review began in early 2013; and the district court stayed the court litigation in view of the inter partes review. So, unless this Court reverses, the result of five years of agency litigation will be patent-validity rulings on only nine out of 16 of the patent claims that are challenged by SAS. Absent reversal, the parties would have to then engage the District Court in the Northern District of Illinois to rule on SAS's validity challenges to the other seven claims, because estoppel under the Act only attaches to "a final written decision," 35 U.S.C. § 315(e)(2); the Board's extensively reasoned institution decision, Pet. App. 103a-128a—even its extended disquisitions as to why it was not instituting review on claims 2 and 11-16, Pet. App. 115a-16a—has no estoppel effect whatsoever.[2]

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[2] SAS is confident in its ability to invalidate ComplementSoft's claims 2 and 11-16 in the pending district-court infringement action. For much the same reasons, it believes that it will be successful before the Board, or on review to the Federal Circuit of a full final written decision under § 319, in demonstrating that those claims are unpatentable—if the Board allowed SAS to present its full case and then adjudicated all of the challenged claims in a final written decision under § 318(a). But even if

Even the Government suffers from the Board's piecemeal approach. Indeed, the United States Department of Justice agreed with SAS, when it was acting as a petitioner in inter partes review before the Patent Trial and Appeal Board. In a recent case, the Justice Department correctly challenged the Board's partial-institution, partial-decision practice: "[B]y picking and choosing some but not all of the challenged claims in its Decision, the Board has undermined the Congressional efficiency goal and increased the workload of both parties who are now forced to litigate validity between two forums—this board and the Court of Federal Claims." Petitioner's Request for Rehearing Pursuant to 37 C.F.R. § 42.71(d), U.S. Patent No. 7,323,980, *Dep't of Justice v. Discovery Patents, LLC*, Case IPR2016-01041 (Patent Trial & Appeal Bd., Nov. 29, 2016). The Board denied the Department of Justice's rehearing request on January 19, 2017, citing, *inter alia*, the Federal Circuit's *Synopsys* decision. *See* Decision Denying Petitioner's Request for Rehearing, *Dep't of Justice v. Discovery Patents, LLC*, Case IPR2016-01041 (Patent Trial & Appeal Bd., Jan. 19, 2017). While the Government has since abjured its inter partes review-litigating siblings in the Civil Division, *see* BIO 19 n.4, the point made by the Department remains correct and is worth repeating: "the Board has undermined the Congressional efficiency goal

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(continued...)

SAS were to lose the inter partes review on the merits of these claims, the estoppel effect of such a decision would then cause its defense of the court action to be more focused, streamlined, and inexpensive.

and increased the workload of both parties who are now forced to litigate validity between two forums."

Third, and for much the same reasons, the partial-decision regime contradicts the legislative history of the Act. That history reflects the Act's intended purpose of allowing post-issuance review to serve as a substitute for, not a supplement to, invalidity litigation. In addressing the estoppel provisions of the Act, the House Judiciary Committee's report emphasized that allowing repeated attacks on patents could be used "as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent," and so the Act precludes "improperly mounting multiple challenges to a patent or initiating challenges after filing a civil action challenging the validity [of] a claim in the patent." H.R. Rep. at 48, 2011 U.S.C.C.A.N. at 78. *See generally* 35 U.S.C. § 315(a).

The legislative statements of pivotal individuals confirm this understanding of the Act. Senator Grassley, "a central figure" in the enactment of the America Invents Act (*Synopsys*, 814 F.3d at 1327 (Newman, J., dissenting)), said that the purpose of the Act's estoppel provision, 35 U.S.C. § 315, was to "completely substitute for" adjudication of the same issues in litigation. 157 Cong. Rec. S1360-94 (daily ed. Mar. 8, 2011). This understanding was echoed by then-USPTO-Director Kappos: "Those estoppel provisions mean that your patent is largely unchallengeable again by the same party." *America Invents Act: Hearing on H.R. 1249 Before the House Comm. on the Judiciary*, 112th Cong. 52-53 (2011).

Perhaps most notably, however, the legislative record contains no suggestion whatsoever that final written decisions of the Patent Trial and Appeal Board should extend to fewer than all of the claims challenged by the petitioner. *Synopsys*, 814 F.3d at 1333-36 (Newman, J., dissenting) ("canvass[ing] the entire record" of the legislative history). "Congress' silence in this regard can be likened to the dog that did not bark." *Chisom v. Roemer*, 501 U.S. 380, 396 n.23 (1991) (citing Arthur Conan Doyle, Silver Blaze, in *The Complete Sherlock Holmes* 335 (1927)).

* * * * *

In sum, the plain language of § 318(a) is unmistakable—it compels the conclusion that the Board is obligated to issue a final written decision as to all 16 of the patent claims that SAS challenged in this inter partes review. The policies that inter partes review were meant to serve, and the legislative history of the AIA, all confirm that this is how the statute is to be read.

II. *CHEVRON* CANNOT SAVE THE PATENT OFFICE'S PARTIAL-DECISION PRACTICE

The panel majority in *Synopsys* believed that the statute was "quite clear" and "strongly implies" allowing the PTO to "institute inter partes review on a claim-by-claim basis," 814 F.3d at 1315-16, and therefore to issue final written decisions only as to the claims on which review was instituted. However, the *Synopsys* majority added that, "if there were any doubt about the Board's authority and the statute were deemed ambiguous, the PTO has promulgated a regulation allowing the Board to institute as to some or all of the claims." *Id.* at 1316 (citing 37 C.F.R.

§ 42.108). According to the *Synopsys* majority, "this regulation is a reasonable interpretation of the statutory provision governing the institution of inter partes review" under step two of *Chevron*, 467 U.S. at 842-43. *Id.* The panel in this case embraced both holdings from *Synopsys*—that the statute is unambiguous under *Chevron* step one, and that the Board's partial-*institution* rule is "based on a permissible construction of the statute" under step two. Pet. App. 20a-21a.

Chevron cannot save the Board's partial-decision regime.

1. Because the statute is clear, it should be enforced at *Chevron* step one without any further inquiry. *See National Credit Union Admin. v. First Nat'l Bank & Trust Co.*, 522 U.S. 479, 499-503 (1998). As detailed above, the statutory language is, indeed, clear—just not in the way the *Synopsys* majority thought. To start, the court focused on the wrong provision in its *Chevron* analysis. By its terms, *Chevron* requires courts to ask "whether Congress has directly spoken to the precise question at issue." 467 U.S. at 842. The "precise question" here is the required content of a "final written decision" under § 318(a), a subsection which, we have already shown, speaks clearly and definitively to the scope of such decisions. Unlike in *Cuozzo*, 136 S. Ct. at 2142, where the statute said nothing about the claim-construction standard to be used, here there is no "gap" for regulation to fill. Yet the *Synopsys* majority opined only that a regulation governing *institution* was "a reasonable interpretation of the statutory provision governing the institution of inter partes review"—that is, § 314(a). 814 F.3d at 1316. But a regulation

that governs *institution determinations* does not speak to the completeness of *final written decisions*—which is "the precise question at issue."

The distinction between institution and decision is critical, both because Congress did not delegate to the Director any authority to prescribe regulations altering its § 318(a) mandate with respect to a final written decision, and because there is no regulation, anywhere in Title 37 of the *Code of Federal Regulations*, that purports to interpret § 318(a). Section 316(a) requires the Director to "prescribe regulations," *inter alia*, "setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a)," § 316(a)(2), and "requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter," except that the time periods can be adjusted in cases of good cause or joinder. § 316(a)(11). Not a single one of the 13 paragraphs in § 316(a) authorizes the Director to alter or define the scope of the required "final written decision"—the statute already defined that—and the only paragraph that does speak to the Board's final decision, § 316(a)(11), allows only for a timeliness requirement, not a scope requirement. *See Adams Fruit Co. v. Barrett*, 494 U.S. 638, 649-50 (1990) (finding no congressional delegation of agency authority regarding the act's enforcement provisions, even though there was a delegation with respect to standards implementing the act's motor-vehicle provisions).

And, consistent with the statute, the Director did not promulgate any regulation redefining the scope of

the required final written decision under § 318(a), so there is no interpretation of § 318(a) for any court to defer to in the first place. *See generally* 37 C.F.R. Part 42, Subpart A (setting forth rules of "Trial Practice and Procedure" for the Board).

But even if the proper focus were on the § 314(a) institution rather than the § 318(a) final written decision, the paragraph allowing the Director to define "the standards for the showing of sufficient grounds to institute a review" also does not suggest that the Director has the discretion to alter the scope of the inter partes review required by the statute. Again, the statutory language already defines the "SCOPE" of inter partes review by reference to what "[a] petitioner in an inter partes review . . . request[s]," § 311(b). And, where the statute imposes a threshold determination for commencing an inter partes review—it requires a finding that "there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." But this is merely the "THRESHOLD" that must be found, § 314(a), before the Director is permitted "to institute an inter partes review under this chapter pursuant to a petition filed under section 311." § 314(b).

This does not make it "quite clear," nor does it "strongly impl[y]," that review may be had on fewer than all of the challenged claims, as the Federal Circuit thought (*Synopsys*, 814 F.3d at 1315-16); rather, it is simply a definition of the "threshold" showing required before instituting the inter partes review. As § 314(b) demonstrates, the institution of inter partes review is "under this chapter" and "pursuant to [the] petition." That means that review

should thereafter take place, and yield a final written decision, on all challenged claims.

2. Nonetheless, regardless of whether the Director's regulation purporting to interpret § 314(a) is even authorized, let alone reasonable, it would remain the case that any claims on which inter partes review was not "instituted" under § 314(a) would still be claims "challenged by the petitioner" under § 318(a), and thus are still subject to that latter section's mandate ("shall issue") that the Board's final written decision must address all, not just some, of those challenged claims. "Congress knows to speak in plain terms when it wishes to circumscribe, and in capacious terms when it wishes to enlarge, agency discretion." *City of Arlington, Tex. v. FCC*, 133 S. Ct. 1863, 1868 (2013). In § 318(a), Congress spoke plainly, emphatically, and mandatorily.

In this respect, when the Patent and Trademark Office first proposed its rule allowing for partial institution of inter partes reviews, the agency was met with numerous objections. In particular, the chief patent counsel of IBM objected that "the statute does not appear to leave discretion to provide a final written decision not addressing any claim that was initially challenged by the petitioner on the basis that the Office determined it to be 'not part of the trial.'" *Comments on Changes to Implement Inter Partes Review Proceedings*, IBM 5 at 3 (Apr. 6, 2012) (available at http://www.uspto.gov/sites/default/files/aia_implementation/comment-ibm5.pdf, and quoted in *Synopsys*, 814 F.3d at 1329 (Newman, J., dissenting)). The Office's response to this objection invoked "workload" and "statutory time constraints."

80 Fed. Reg. 50,720, 50,739 (Aug. 20, 2015) (quoted in *Synopsys*, 814 F.3d at 1330 (Newman, J., dissenting)).

This response was not an adequate reason for the Office to adopt a procedure contrary to the clear command of the statute. Of course, "an agency may not rewrite clear statutory terms to suit its own sense of how the statute should operate." *Utility Air Regulatory Grp. v. Environmental Protection Agency*, 134 S. Ct. 2427, 2446 (2014). And, by invoking only its own workload and deadlines, the agency failed to heed Congress' conjunctive command in § 316(b) that, "[i]n prescribing regulations under this section, the Director *shall consider* the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, *and* the ability of the Office to timely complete proceedings instituted under this chapter." (Emphasis added.)

But beyond that, the Patent and Trademark Office has not, by this mechanism, actually achieved the alleviation of its own "workload" that the statute, by its actual terms, would allow: The statute speaks of institution *determinations*, not institution "decisions," § 314(a)-(d), and the whole point of the Act's provision that such determinations are not ordinarily reviewable, *see* 35 U.S.C. § 314(d), is that they need not be reasoned in the way that final and reviewable administrative adjudications normally must be. *See* 5 U.S.C. §§ 704, 706; *Cuozzo*, 136 S. Ct. at 2139-42. Accordingly, the Act envisions that the institution determination will be no more reasoned than a simple thumbs-up "notice" to the parties, and eventually in the *Federal Register*, that an inter partes review has been instituted and will commence

on a certain date. *See* 35 U.S.C. § 314(c) ("NOTICE.—The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence."). Section 314 requires nothing more.

Instead, however, the Board—as the delegate of the Director of the Patent and Trademark Office—has taken it upon itself to issue extended written decisions, *at the time of institution*, explaining the reasons why review was instituted or not. That is the Board's practice, and it was followed in this case. Pet. App. 103a-28a (23-page-long "Institution of *Inter Partes* Review" decision). As a result, the Board is effectively making non-final written decisions on non-instituted patent claims, but depriving those decisions of their intended estoppel effect under § 315, as well as insulating them from judicial review under § 319.

The Director and the Board could easily honor the statute, with no negative effect on the Director's (or the Board's) workload, by foregoing those extensive, unreviewable, and non-estopping preliminary opinions, following the procedures established by Congress, and issuing full final written decisions, on all challenged claims—complete decisions that can then be reviewed by the Federal Circuit, § 319, and given estoppel effect in district-court litigation, § 315(e)(2). Or, if the Board believes that it would be too burdensome for it to decide a particular review on all claims challenged in a given petition within the one-to-one-and-a-half year timeframe prescribed by statute, *see* § 316(a)(11), then it should exercise its

discretion to deny institution entirely, and remit validity challenges to district-court litigation so that the issues can be decided in a single forum. The statute by its terms provides the Patent Office with ample ability to manage its workload without resorting to partial, piecemeal adjudications.

In short, the statute's institution provision does not render the final-written-decision provision ambiguous under *Chevron* step one.

3. The Director's position would also fail *Chevron* step two if the inquiry proceeded that far. "[I]f the statute is silent or ambiguous with respect to the specific issue, the question for the court is whether the agency's answer is based on a permissible construction of the statute." 467 U.S. at 843. Here, for the reasons detailed in Judge Newman's triad of dissenting opinions, the Director's practice of issuing final written decisions on fewer than all of the challenged claims throws a wrench into the works of a statute whose provisions are "designed to act in harmony, like a well-oiled engine." Pet. App. 26a.

In fact, the Director's use of authority to prescribe regulations under § 316(a)—which allows the Director to "se[t] forth the standards for the showing of sufficient grounds to institute a review under section 314(a)," but not to limit the scope of such "review"—is so sweeping that, if it were accepted, it would raise serious separation-of-powers concerns. Congress, in enacting the America Invents Act, established a comprehensive, detailed regime for the post-issuance review of patents. The Director's adoption of what amounts to a fundamentally different procedural regime for the review of issued

patents, and the Federal Circuit's willingness to read the Act's various references to "claims challenged" not *in pari materia*, but in a fluid fashion, seeks to arrogate the legislature's power to the Executive and Judicial branches.

Whatever the wisdom of *Chevron*, its step two cannot be allowed such free rein as to allow the agency tasked with implementing the statute—here, the Patent and Trademark Office—to fundamentally rewrite the law's procedures to serve its interests in convenience. The *Chevron* decision has been criticized recently as "permit[ting] executive bureaucracies to swallow huge amounts of core judicial and legislative power and concentrate federal power in a way that seems more than a little difficult to square with the Constitution of the framers' design." *Gutierrez-Brizuela v. Lynch*, 834 F.3d 1142, 1149 (10th Cir. 2016) (Gorsuch, J., concurring). Indeed, in *Cuozzo* itself, interpreting another (though related) provision of this same Act, Justice Thomas outlined and repeated his concerns over "*Chevron*'s fiction that ambiguity in a statutory term is best construed as an implicit delegation of power to an administrative agency to determine the bounds of the law." 136 S. Ct. at 2148 (Thomas, J., concurring).

Here, because of that same kind of agency overreach, the Patent and Trademark Office has adopted—apparently for its own convenience, and based upon a most dubious claim of statutory ambiguity—a set of procedures and decisional requirements which are inconsistent with the AIA. "Those who ratified the Constitution knew that legal texts would often contain ambiguities," *Perez v. Mortgage Bankers Ass'n*, 135 S. Ct. 1199, 1217 (2015)

(Thomas, J., concurring), and, on some level, all human language is ambiguous. Viewed in that light, the craftsmanship of agency lawyers can always make colorable arguments that even the most straightforward statutory text is ambiguous enough to merit revision by regulation. This is the mischief that Justices Thomas and Gorsuch have recognized in their writings, and it was present in this case and in *Synopsys*.

Thus, there are strong, even powerful arguments for the Court to retreat from *Chevron*'s approach of agency deference, and instead favor the "impressive body of law" that Judge Friendly identified, pre-*Chevron*, "sanctioning free substitution of judicial for administrative judgment when the question involves the meaning of a statutory term." *Pittston Stevedoring*, 544 F.2d at 49. Such an approach would avoid all of the problems—constitutional and practical—that inhere in letting an Executive agency restructure a Congressionally crafted system such as the inter partes review procedures at stake here. *See* 35 U.S.C. §§ 311-319; *see also id.* §§ 321-329 (post-grant review); 125 Stat. 284, 329 § 18(a)(1) (covered business method patents); n.1, above.

Those constitutional concerns can be avoided here, however, either by holding that the Board's practice of issuing partial final decisions fails *Chevron* step one, or by simply enforcing step two of *Chevron* by its terms and ruling that, even if there were some modicum of ambiguity in the statute, here, "the agency's answer is [not] based on a permissible construction of the statute." 467 U.S. at 843. In short, *Chevron* can survive, and remain consistent with "the

Constitution of the framers' design," if its steps are enforced with vigor.

That vigor is needed here: It was neither correct nor "permissible" for the Patent Office to use its powers of regulation to make fundamental structural change to the essential Congressional system of inter partes review. The congressional structure is amply set forth in the statute: an institution determination that grants or denies the petition, 35 U.S.C. § 314, followed, if the review is granted, by a final written decision addressing "the patentability of any patent claim challenged by the petitioner." *Id.* § 318(a). That way, the final written decision can have the intended estoppel effect as a substitute for court litigation, *id.* § 315(e), and can be subject to judicial review, *id.* § 319, just as the AIA was designed to accomplish.

III. READING SECTION 318(a) AS IT WAS WRITTEN SERVES EVERY DISCERNIBLE GOAL OF THE AMERICA INVENTS ACT, AND WILL YIELD A MORE EFFECTIVE SYSTEM OF POST-ISSUANCE PATENT REVIEW

The America Invents Act's chapter on inter partes review was plainly designed to serve several important goals. Three of them are manifest. *First*, it "g[ave] the Patent Office significant power to revisit and revise earlier patent grants." *Cuozzo*, 136 S. Ct. at 2139-40. *Second*, it "responds to concerns that the time and cost and uncertainty of resolving patent validity challenges are a disincentive to development and commercialization of new science and technology." *Synopsys*, 814 F.3d at 1326-27 (Newman, J., dissenting) (quoting Introduction of Patent Reform

Act of 2006, 152 Cong. Rec. S8830 (Aug. 3, 2006) (statement of Sen. Leahy)). And *third*, it carries forth the first two goals by crafting a system of post-patent-grant review (in the form of inter partes review, post-grant review, and covered-business-method-patent review, *see* n.1, above) that "significantly reduce[s] the ability to use post-grant procedures for abusive serial challenges to patents [and] provide[s] faster, less costly, alternatives to civil litigation." 157 Cong. Rec. S952 (daily ed. Feb. 28, 2011) (statement of Sen. Grassley) (quoted in *Synopsys*, 814 F.3d at 1327 (Newman, J., dissenting)); *see generally* 35 U.S.C. § 315(e)(2) (estoppel upon district-court proceedings); H.R. Rep. at 48, 2011 U.S.C.C.A.N. at 78 (explaining the importance of estoppel to this goal).

The plain, crystalline language of § 318(a), which requires the Board's final decision to reach every claim challenged by the petitioner, serves all of these goals—and reflects the statute that Congress actually authored. Certainly, the statute as written does a far better job of advancing the statute's goals than does the Patent Office's modified version. It allows for the most common challenges to patent validity—those "under section 102 or 103 and . . . on the basis of prior art consisting of patents or printed publications" (35 U.S.C. § 311(b))—to be efficiently adjudicated by an expert board of patent-trained administrative law judges, *see id.* § 6(a) ("The administrative patent judges shall be persons of competent legal knowledge and scientific ability . . . ."). If those expert judges follow the statute and issue a final decision as to all of the challenged claims, that decision can then be appealed to the Court of Appeals for the Federal

Circuit. *Id.* § 319. And, whether or not appealed, the Board's decision as to all of those claims becomes final and estopping upon later district-court infringement litigation. *Id.* § 315(e)(2).

Inter partes review was designed so that these issues would be decided, completely, by a single tribunal—either the Board or, if review is not instituted by the Board, by the district courts. Instead, under the regime prescribed by Patent Office regulation, parties must fight validity on multiple fronts when petitions are only partially decided. The key to restoring inter partes review to its proper scope is located in § 318(a), and in reading the statute according to its plain, straightforward words.

When Congress said that the Board "shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner," that is what Congress meant. It did not mean that the Board should decide only some of the claims challenged by the petitioner. The statute should be read as it was written.

CONCLUSION

The judgment of the Federal Circuit should be reversed, and the case remanded with instructions to order the Patent Trial and Appeal Board to issue a final written decision with respect to the patentability of claims 2 and 11-16 of the '936 patent.

Respectfully submitted,

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